

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL FOR: HEALTH CARE FINANCING ADMINISTRATION		1. TRANSMITTAL NUMBER: <div style="border-bottom: 1px solid black; display: inline-block; width: 100px; text-align: center;">0 2 - 0 3</div>	2. STATE: <div style="border-bottom: 1px solid black; display: inline-block; width: 100px; text-align: center;">OKLAHOMA</div>
TO: REGIONAL ADMINISTRATOR HEALTH CARE FINANCING ADMINISTRATION DEPARTMENT OF HEALTH AND HUMAN SERVICES		3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
5. TYPE OF PLAN MATERIAL (Check One): <input type="checkbox"/> NEW STATE PLAN <input type="checkbox"/> AMENDMENT TO BE CONSIDERED AS NEW PLAN <input checked="" type="checkbox"/> AMENDMENT		4. PROPOSED EFFECTIVE DATE <div style="border-bottom: 1px solid black; display: inline-block; width: 100px; text-align: center;">12 02/02/02</div>	
COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)			
6. FEDERAL STATUTE/REGULATION CITATION: 42 CFR 440.120, 1905(a)(12)		7. FEDERAL BUDGET IMPACT: a. FFY 2002 \$ - \$2,170,416 b. FFY 2003 \$ - \$3,720,713	
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Attachment 4.19 B, Page 7 Attachment 4.19-B, Page 7a		9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable): Same page, Revised 04/08/00, TN# 00-02 Same page, Revised 04/08/00, TN #00-02	
10. SUBJECT OF AMENDMENT: Revision of payment methodology for State Maximum Allowable Cost (SMAC) and Estimated Acquisition Cost (EAC) for prescription drugs.			
11. GOVERNOR'S REVIEW (Check One): <input checked="" type="checkbox"/> GOVERNOR'S OFFICE REPORTED NO COMMENT <input type="checkbox"/> OTHER, AS SPECIFIED: <input type="checkbox"/> COMMENTS OF GOVERNOR'S OFFICE ENCLOSED <input type="checkbox"/> NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL			
12. SIGNATURE OF STATE AGENCY OFFICIAL: 		16. RETURN TO: Oklahoma Health Care Authority Attn: Billie Wright 4545 N. Lincoln, Suite 124 Oklahoma City, OK 73105	
13. TYPED NAME: Mike Fogarty		17. DATE RECEIVED: 22 MARCH 2002	
14. TITLE: Chief Executive Officer		18. DATE APPROVED: 18 JUNE 2002	
15. DATE SUBMITTED: March 19, 2002		FOR REGIONAL OFFICE USE ONLY	
PLAN APPROVED - ONE COPY ATTACHED			
19. EFFECTIVE DATE OF APPROVED MATERIAL: 12 FEBRUARY 2002		20. SIGNATURE OF REGIONAL OFFICIAL: 	
21. TYPED NAME: CALVIN G. CLINE		22. TITLE: ASSOCIATE REGIONAL ADMINISTRATOR DIV OF MEDICAID AND STATE OPERATIONS	
23. REMARKS: c: Mike Fogarty Jim Hancock Billie Wright <div style="margin-left: 200px;"> <i>Per ink change to effective date per contract with Billie Wright</i> <i>PK</i> </div>			

**METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
OTHER TYPES OF CARE****6. Payment for prescribed drugs**

Payment for compensable drugs is made on the basis of the lowest of the following:

- (I) Maximum Allowable Cost (MAC), for state selected products plus a dispensing fee. The State Maximum Allowable Cost (SMAC) is established for certain products which have a Food and Drug Administration (FDA) approved generic equivalent. There are two calculations done for each product. The first is unit Average Wholesale Price (AWP) minus 15% and the second is unit Wholesale Acquisition Cost (WAC) plus 12%. For each product, the lower value is to be considered. The median value of the "lower of" or "lesser of" values then becomes the SMAC price
- (II) Multiple source drugs. Multiple source drug means a drug marketed or sold by two or more manufacturers or labelers or a drug marketed or sold by the same manufacturer or labeler under two or more different proprietary names or both under a proprietary name and without such a name.

Brand Necessary Certification. Unless the prescribing provider certifies a brand name drug product is medically necessary for the well being of the patient, a generic must be substituted for the brand name product. The Brand Necessary Certification applies to the CMS Upper Limit and State Maximum Allowable Cost (SMAC) products. The requirements for a brand name certification are as follows:

- The certification must be written in the physician's or other prescribing provider's handwriting.
- Certification must be written directly on the prescription blank or on a separate sheet which is attached to the original prescription.
- A standard phrase indicating the need for a specific brand is required. Recommend use of the phrase "Brand Necessary".

Revised 02-12-02

TN# OK-02-03 Approval Date 06-18-02
Supersedes
TN# OK-00-02

Effective Date	<u>02-12-02</u>
STATE	<u>OKLAHOMA</u>
DATE RECD	<u>03-22-02</u>
DATE APP'D	<u>06-18-02</u>
DATE EFF	<u>02-12-02</u>
HCFA 179	<u>OK-02-03</u>

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**METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
OTHER TYPES OF CARE**

6. Payment for prescribed drugs (cont.)

- The printed box on the prescription blank that could be checked by the physician to indicate brand necessary is unacceptable.
- A hand-written statement that is transferred to a rubber stamp and then stamped onto the prescription is unacceptable.

Programming has been developed to review the CMS upper limit products to assure in the aggregate Medicaid expenditures for multiple source drugs do not exceed the federal upper limits. Such reports and all other relevant statistical data are maintained by the Agency and are available on request.

(III) The Estimated Acquisition Cost (EAC). The EAC means the Agency's best estimate of the price generally and currently paid by providers for a drug marketed or sold by a particular manufacturer or labeler in the package size of drug most frequently purchased by providers. The EAC to be used for the purchase of prescription drug products is established at a percentage of the Average Wholesale Price (AWP) as defined by the Agency's pricing resource. The percentage discount off of the AWP is minus 12%.

(IV) Usual and Customary Charge. The usual and customary charge will be the price the provider would charge the general public and includes the ingredient cost plus the dispensing fee.

After public hearings which considered dispensing fee surveys, usual and customary charge surveys and appropriate inflationary indices, the Agency's Rates and Standards Committee has approved a maximum dispensing fee not to exceed \$4.15.

Revised 02-12-02

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